

**MAINE BUREAU OF INSURANCE
ANNUAL REPORT FROM THE SUPERINTENDENT
TO THE LEGISLATURE**

2008

**PREPARED BY THE STAFF OF
THE MAINE BUREAU OF INSURANCE**



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STATE OF MAINE

- OFFICE OF SECURITIES
- BUREAU OF INSURANCE
- CONSUMER CREDIT PROTECTION
- BUREAU OF FINANCIAL INSTITUTIONS
- OFFICE OF LICENSING AND REGISTRATION

IN MEMORY OF ROSALIE W. HOWES

*A DEDICATED MEMBER OF THE TEAM WHO HELPED
COUNTLESS PEOPLE AND WHO IS MISSED EVERY DAY.*

Table of Contents

| | |
|--|------------|
| Preface and Significant Bureau Accomplishments | Pages 1-4 |
| Bureau Work Units | Page 4 |
| Summary of Individual Bureau Work Units | Pages 4-14 |
| Maine Domestic Insurers - Premium and Assets | Page 6 |
| New Company Licenses Issued in 2008 | Pages 6-7 |
| Producer Licensing Statistics | Pages 7-9 |
| Bureau Publications | Pages 14 |
| Summary of Information on the Bureau Web Site | Page 14-15 |
| Bureau Organizational Chart | Appendix A |
| Work Unit Statistical Information Graphs Consumer Health Care and Property & Casualty | Appendix B |

Preface

Currently, states are the primary regulators of the insurance industry in the United States. The Maine Bureau of Insurance (BOI) regulates insurance companies (insurers), producers and agents, as well as other entities engaged in the business of insurance. BOI enforces consumer protections including solvency standards under the Maine Insurance Code. Despite staffing challenges -- operating in 2008 with approximately 20% fewer employees than in 2007 -- BOI had several significant accomplishments and successful new initiatives.

Some of the most notable accomplishments include recovery of rate overcharges to policyholders from MEGA Life and Health Insurance Company, conclusion of the implementation of the UNUMProvident multistate settlement agreement, an expanded Bureau role providing assistance to victims of natural disasters, successful national re-accreditation, a leading role in national consumer protection initiatives, greater focus on property and casualty insurer cancellation and nonrenewal practices, successful protection of senior citizens from inappropriate sales by a fraternal benefit society, leadership in defeating a federal initiative that would have deregulated the insurance industry, increased services to insurance producers, special task forces to address inappropriate sales tactics and senior abuses, and to closely monitor AIG and related financial market activities. The Bureau has also renewed focus on improving transparency in Bureau operations and in the insurance industry.

MEGA Life Settlement

The Bureau of Insurance found that MEGA Life & Health Insurance Company used a flawed method to determine premiums for individual health insurance policies. To settle the violations of law, the insurer agreed to refund \$5.6 million plus interest to policyholders in Maine and to pay a fine of \$1 million to the state's general fund.

UNUMProvident Multistate Settlement Agreement

Maine played a lead role in the multistate market conduct examination of UNUM Companies that led to the 2004 regulatory settlement agreement ("RSA"), which 48 states, the District of Columbia and the United States Department of Labor signed. In 2008, the final Report of Examination was issued indicating a success in this landmark RSA. Using an unprecedented approach, regulators partnered with UNUMProvident to successfully change the corporate culture to the benefit of all policyholders and claimants with disabilities nationwide. This process led to implementation of new claims standards and processes, new and enhanced internal controls as well as hands-on involvement by the Board of Directors in ensuring successful implementation of the new processes. As part of the settlement, a reassessment of all claims denied from 1997 to 2004 was conducted resulting in 41.7% of the denials being reversed, in whole or in part, and \$676.2 million of additional benefits for claimants.

Disaster Assistance Efforts

In 2008, BOI initiated an informal partnership with the Maine Emergency Management Agency (MEMA). This collaborative effort includes coordinating and disseminating claim information for declared disasters and becoming an active member of the State's Disaster Assistance Team. In April, BOI staff assisted the Madawaska FEMA field office in responding to Aroostook County flooding. In response to MEMA's request for better claims data, BOI staff worked with the insurance industry to develop a Data Call system to

deliver real time damage information to local, state and federal officials. This system was first implemented following the December ice storm that resulted in a federal disaster declaration for counties in Southern Maine. In addition, BOI became a member of the Statewide Mutual Aid Agreement Working Group – helping to develop a systematic process for the mobilization, deployment, organization and management of emergency service resources to assist local agencies responding to major incidents or emergencies.

Reaccreditation

The Bureau was reaccredited by the National Association of Insurance Commissioners (NAIC) in October. First accredited in 1993, this is the agency's fourth certificate of accreditation. It demonstrates that the Bureau maintains high standards and sound practices in the financial regulation of insurance companies. Reaccreditation recognizes the skills and dedicated service of Bureau employees. It also reaffirms the agency's long-standing commitment to meet the challenges of a complex and ever-evolving insurance marketplace. Reaccreditation is for a five-year period and follows an extensive review by NAIC staff, including on-site evaluations. Reviewers assessed the quality of the Bureau's financial examinations and financial analysis, as well as Maine laws.

Reaccreditation is critical to having a domestic insurance industry in Maine. Domestic insurers could have difficulty operating beyond the state's borders if BOI was not accredited. As a result of accreditation, BOI's financial oversight is recognized and accepted nationwide. The Bureau will be reevaluated for accreditation in 2013.¹

Improved Insurer Cancellation and Nonrenewal Practices

On December 5, the Bureau presented a seminar on cancellation hearings to property and casualty insurers. The purposes of this seminar were to reduce the number of inappropriate cancellation and nonrenewal notices issued to policyholders, and consequently to reduce the number of unnecessary administrative hearings. Information was provided regarding the administrative hearing process, as well as permissible grounds for cancellation and nonrenewal of auto, homeowners and commercial insurance policies. Topics included an analysis of hearing results for the last three years. Forty-four insurer representatives attended either in person or by teleconference.

NAIC Consumer Protection Activities

BOI took a leading role in consumer protection activities at the NAIC, with Superintendent Kofman serving as chair of the Consumer Protections and Innovations Working Group. In 2008, the Working Group developed a draft best practices/guiding principles document for accurate claims determinations in disability income insurance. The Working Group also conducted a public hearing to determine the extent of problems that policyholders with disabilities have in receiving disability income insurance benefits. The Working Group received a presentation on how to improve transparency in health insurance contracts and worked with federal regulators on making annual privacy notices more understandable.

NAIC Insurance Industry Solvency Activities - Financial Markets

AIG: BOI established a Task Force to coordinate and actively monitor AIG owned insurance companies activities. This was to protect Maine policyholders in the event of a potential sale of AIG insurance companies.

¹ Resources for sufficient staffing levels and for expert consulting services is critical to BOI's ability to maintain its financial accreditation.

Capital and Surplus Relief: One of twelve states serving on the Working Group to examine the necessity to provide financial relief to insurers in light of the financial markets performance and capital challenges. Played a key role in preventing changes to existing strong financial requirements.

Defeated Federal Deregulation Bill

BOI led a successful effort to defeat a federal bill that would have deregulated insurance to the detriment of consumers and insurance companies in Maine. The Bureau worked with Attorney General Steven Rowe and many others in this effort.

The Order of United Commercial Travelers

The Bureau addressed problems created when The Order of United Commercial Travelers (UCT), a thinly capitalized fraternal benefit society, selling Medicare Supplemental coverage to Maine's seniors, grew rapidly -- fraternal's annual premium volume in Maine jumped from less than \$30,000 to more than \$4.5 million in one year and, based on the first 6 months in 2008, was projected to exceed \$8 million. There is no guaranty fund coverage for fraternal. After extensive negotiations with UCT, the Bureau was able to get the business transferred to a traditional insurance company (subject to the solvency protections and a guaranty fund). UCT agreed to surrender its license.

Insurance Producer Assistance

BOI launched new initiatives in 2008 to improve assistance to insurance producers. This includes online publications – the “Question of the Month” and the “Top 10 Compliance Tips for Insurance Producers.” These web-based publications address frequently asked questions, as well as common mistakes and violations identified by BOI staff.

Report on Health Insurance Coverage for Direct-Care Workers

Pursuant to a request of the Maine Legislature's Joint Standing Committee on Insurance and Financial Services, Superintendent Kofman convened a working group of stakeholders to look for ways to increase access to private health insurance coverage for direct care workers. The Superintendent's December 2008 Report to the Committee reviews various options considered by the working group. This report outlines the pros and cons of those options, and makes recommendations considering the current budget constraints and the need to move forward to address the growing crisis.

Outreach Initiatives

It is with deep sorrow and regret that we note the October 10th passing of Rosalie Howes after an illness of several months. Rosalie had done outstanding work in coordinating our outreach initiatives. Rosalie was also our key employee involved in the preparation and publishing of our many reports and consumer brochures, including this report, for several years. She is missed greatly by her colleagues at the Bureau.

In a continuing effort to make consumers aware of the Bureau of Insurance and different types of assistance BOI provides, staff participated in a wide array of events, including the Senior Spectrum Expo, the Office of Securities' Wise and Safe Investing Conference, the Common Ground Country Fair and the Maine Potato Blossom Festival. The Bureau staffed a booth at these events to answer insurance-related questions and distribute insurance brochures. Pedestrian traffic at the booth was heavy.

Bureau staff made television appearances on “207” on WCSH-TV and “Consumer Matters” on Time Warner Cable. The Bureau staff also made public speaking appearances or participated in forums involving a number of diverse groups such as the Maine Osteopathic Association, Maine Medical Association, Consumers for Affordable Health Care, Spectrum Generations, the Blaine House Conference on Elder Issues and the Maine Tree Foundation.

The Bureau issued a number of new publications in 2008 to assist insurance consumers, including:

- Top Ten Things You Should Know About Buying Auto Insurance
- Making the Auto Insurance Claims Process Easier
- Top Ten Things You Should Know About Buying Homeowners’ Insurance
- Coping with the Aftermath of Weather-Related Disasters
- Understanding How Insurers Use Credit Information
- From Homeowner to Renter
- Homeowners Inventory Checklist
- Making the Claims Process Easier-Homeowners
- Maine Driving Dynamics
- Opting Out of Workers’ Compensation Insurance

Work Units in the Bureau (see Appendix A for Bureau organizational chart)

Administration

Alternative Risk Markets/Financial Analysis

Consumer Health Care

Financial Examination

Licensing

Life & Health Actuarial

Market Conduct

Property & Casualty Actuarial

Property & Casualty Technical Services

Support

Workers’ Compensation

In 2008 the Senior Management team initiated a comprehensive evaluation of BOI’s core mission and functions and current and future staffing and management needs. This included revising the mission statement, reviewing BOI’s statutory responsibilities, and examining the quality and efficiency of BOI’s service to the regulated community, consumers, and other constituencies. As a result of this process, the team developed a resource realignment plan and took the first steps to begin its implementation. This process also yielded a new enforcement and oversight strategy.

Financial Examination

The Financial Examination work unit conducts detailed financial examinations of insurers domiciled in the State of Maine every three to five years. The work unit consists of a Director, two Examiners-in-Charge, two Senior Examiners, and three Examiners. Two examination teams conduct concurrent examinations. Exam reports for domestic insurers who have had an examination report issued can be found on the Bureau website at www.maine.gov/pfr/insurance/company/domestic.htm. Financial statements for Maine licensed HMOs may also be found online at www.maine.gov/pfr/insurance/hmo/financial.htm.

Recent examinations by the work unit:

| <i>Company</i> | <i>Report Issued</i> | <i>Company</i> | <i>Report Issued</i> |
|-----------------------------------|----------------------|----------------------------------|----------------------|
| Anthem Health Plans of Maine, Inc | February 15, 2008 | Patriot Life Insurance Company | January 16, 2008 |
| Aetna Health Inc. | Pending | Patriot Mutual Insurance Company | January 16, 2008 |

| | | | |
|------------------------------------|------------------|---------------------------------------|-----------------|
| Casco Indemnity Company | August 14, 2008 | Selective Insurance Co of New England | June 12, 2008 |
| Maine Bonding and Casualty Company | Pending | State Mutual Insurance Company | June 22, 2008 |
| MMG Insurance | January 11, 2008 | Martin's Point Generations LLC | August 20, 2008 |
| York Insurance Company of Maine | July 22, 2008 | | |

The schedule of upcoming financial examinations in 2009:

| Company | Financial Period Ending |
|-----------------------------------|--------------------------------|
| Northeast Insurance Company | December 31, 2008 |
| Unum Life Insurance Co of America | December 31, 2008 |
| MEMIC | December 31, 2008 |
| CIGNA | December 31, 2008 |
| | |
| | |

Financial Analysis and Alternative Risk Markets

The Financial Analysis and Alternative Risk Markets work units are responsible for monitoring the financial solvency of insurers transacting business in Maine. Insurance companies seeking licensure and employers seeking approval as workers' compensation self-insurers submit financial and operational information for review. Analysts review the information and make recommendations for insurance authority based on the financial strength of the company.

For new applicants, a full analysis of the financial statements is completed prior to licensing . Once the Bureau grants authority, it conducts ongoing financial review.

If the entity is an insurance company, the level of review is further determined by whether the company is a Maine domestic or a foreign insurer. Maine domestics are reviewed in detail on a quarterly basis; foreign insurers are prioritized based on select financial ratios.

For workers' compensation self-insured employers and groups, the work unit performs detailed annual reviews. If the self-insurer posts adequate security for its exposure as determined by the work unit, its self-insurance authority is renewed annually unless evidence of deteriorated financial condition is found.

The Financial Analysis and Alternative Risk Markets work unit is also responsible for reviewing the following applicants: Health Maintenance Organizations, captive insurance companies, surplus lines companies, risk retention groups, risk purchasing groups, managing general agents, reinsurance intermediaries, accredited reinsurers, workers' compensation reinsurers, fraternal benefit societies, third party administrators, multiple employer welfare arrangements, and continuing care retirement communities.

| Number of Self-Insurers for Workers' Compensation | 2008 | 2007 | 2006 |
|--|-------------|-------------|-------------|
| Individual Self-insurers | 67 | 69 | 74 |
| Group Self-insurers | 19 | 19 | 20 |

| Number of Insurance Companies Licensed in Maine | 2008 | 2007 | 2006 |
|--|--------------|--------------|--------------|
| Property & Casualty Companies | 650 | 630 | 628 |
| Life & Health and HMOs | 369 | 367 | 376 |
| Fraternal Companies | 15 | 14 | 14 |
| Surplus Lines Companies | 120 | 111 | 106 |
| Private Purchasing Alliance | 2 | 2 | 2 |
| Multiple Employer Welfare Arrangement (MEWA) | 3 | 3 | 3 |
| Captive | 0 | 0 | 0 |
| Totals | 1,159 | 1,127 | 1,120 |

Domestic Insurance Companies (Domiciled in Maine) 2007

(premium info for 2008 not available until April 2009)

| Maine Domestic | 12/31/07 PREMIUM | 12/31/07 ASSETS |
|--|-------------------------|------------------------|
| Aetna Health Inc. (a Maine corporation) | \$159,358,621 | \$46,141,828 |
| Allied Augusta Mutual Insurance Company | \$0 | \$9,973 |
| Anthem Health Plans of Maine, Inc. | \$1,047,524,318 | \$457,797,051 |
| Casco Indemnity Company | \$15,302,519 | \$24,383,532 |
| Cigna Healthcare of Maine, Inc. | \$30,417,384 | \$13,437,589 |
| Maine Bonding and Casualty Company | \$5,374 | \$8,529,179 |
| Maine Dental Service Corp. | \$50,913,339 | \$32,073,416 |
| Maine Employers' Mutual Insurance Company | \$148,743,670 | \$648,184,762 |
| Martins Point Generations LLC | \$1,874,853 | \$2,790,897 |
| Medical Mutual Insurance Company of Maine | \$55,763,877 | \$216,264,303 |
| MMG Insurance Company | \$110,547,607 | \$171,993,551 |
| North East Insurance Company | \$22,323,070 | \$41,561,887 |
| Patriot Insurance Company | \$29,599,615 | \$56,370,652 |
| Patriot Life Insurance Company | \$1,379 | \$7,194,138 |
| Patrons Oxford Insurance Company | \$31,945,699 | \$15,330,152 |
| Selective Insurance Company of New England | \$209,368 | \$29,217,092 |
| State Mutual Insurance Company | \$1,539,891 | \$1,989,378 |
| UNUM Life Insurance Company of America | \$3,933,979,501 | \$16,438,518,655 |
| York Insurance Company of Maine | \$87,174,271 | \$14,550,962 |

Non Maine Health Maintenance Organizations 2007 (Maine only premiums)

| HMOs | (State of Domicile) | 12/31/07 PREMIUM | 12/31/07 ASSETS |
|-----------------------------------|----------------------------|-------------------------|------------------------|
| Arcadian Health Plan, Inc | (WA) | \$3,297,432 | \$73,366,762 |
| Harvard Pilgrim Health Care, Inc. | (MA) | \$70,344,849 | \$754,153,763 |

New Company Licenses Issued in 2008

Companies/Insurers – 50 licenses issued in 2008

Fraternal Insurance Companies

First Catholic Slovak Ladies Association of the USA

Life and Health Insurance Companies

| | |
|--|--|
| Bravo Health Insurance Company, Inc. | John Hancock Life and Health Insurance Company |
| Coventry Health and Life Insurance Company | Principal National Life Insurance Company |
| Healthspring Life & Health Insurance Company, Inc. | Security Life Insurance Company of America |
| IdeaLife Insurance Company | USAA Direct Life Insurance Company |

Property & Casualty Insurance Companies

| | |
|---|---|
| Acuity A Mutual Insurance Company | MEMIC Indemnity Company |
| Allegheny Casualty Company | Merchants Preferred Insurance Company |
| American Summit Insurance Company | Nationwide Agribusiness Insurance Company |
| Bankers Insurance Company | Nationwide Property & Casualty Company |
| Bankers Standard Insurance Company | Plaza Insurance Company |
| Berkshire Hathaway Assurance Company | Preserver Insurance Company |
| Coface North America Insurance Company | Progressive Commercial Casualty Company |
| Companion Commercial Insurance Company | RSUI Indemnity Company |
| Companion Property and Casualty Insurance Company | Safeway Insurance Company |
| Dallas National Insurance Company | Seabright Insurance Company |
| Developers Surety and Indemnity Company | Suretec Insurance Company |
| Eastern Atlantic Insurance Company | Verlan Fire Insurance Company |
| Fidelity National Insurance Company | Victoria Insurance Company |
| Gateway Insurance Company | Western Insurance Company |
| Knightbrook Insurance Company | Westfield Insurance Company |

Eligible Surplus Lines Insurance Companies

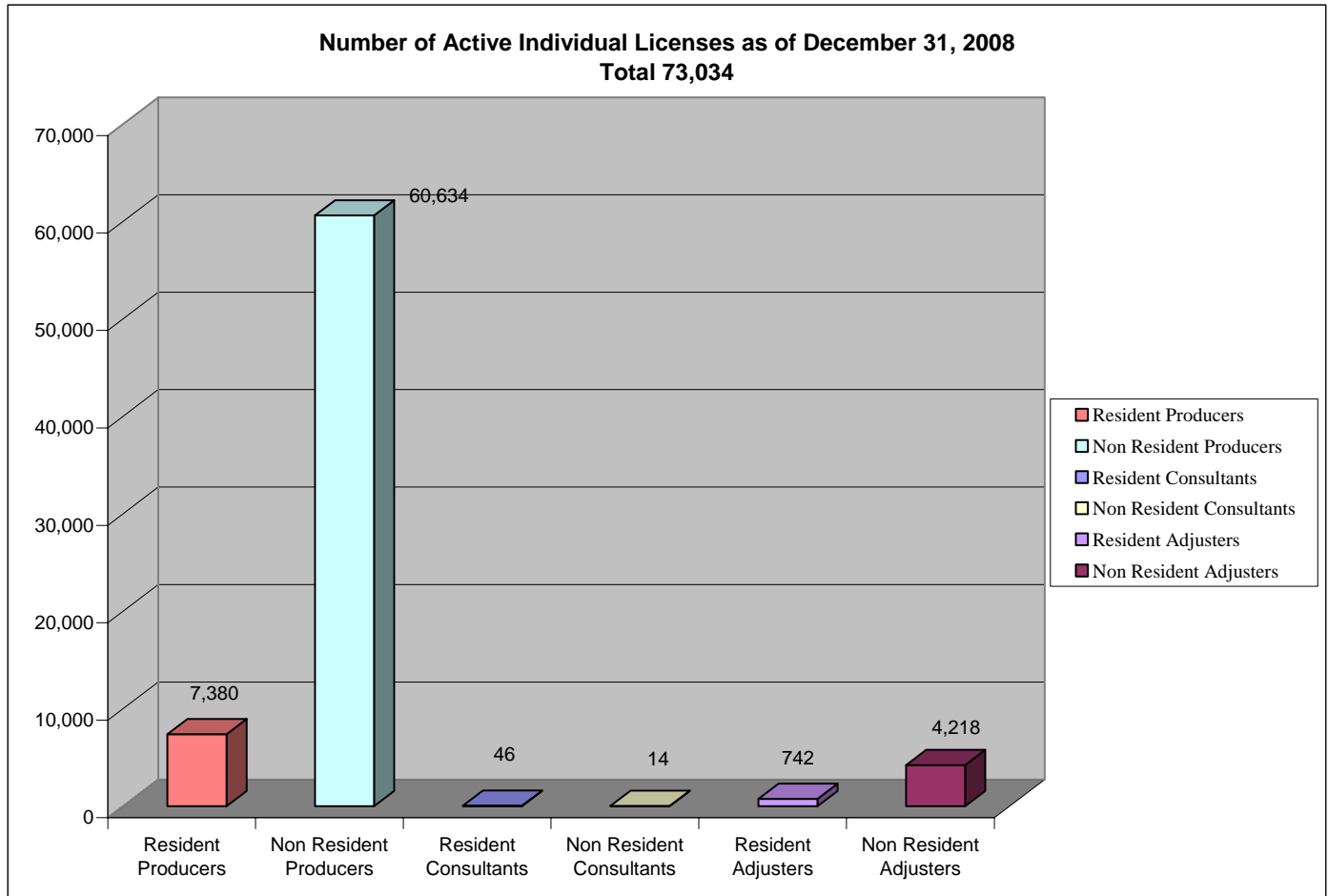
| | |
|---|--|
| AIX Specialty Insurance Company | Lancashire Insurance Company |
| Atlantic Casualty Insurance Company | Mitsui Sumitomo Insurance Company (Europe) Ltd |
| Berkley Regional Insurance Company | Prime Insurance Company |
| Caitlin Specialty Insurance Company | Protective Specialty Insurance Company |
| Cincinnati Specialty Underwriters Insurance Company | The Marine Insurance Company Ltd |
| Ironshore Specialty Insurance Company | |

Producer Licensing

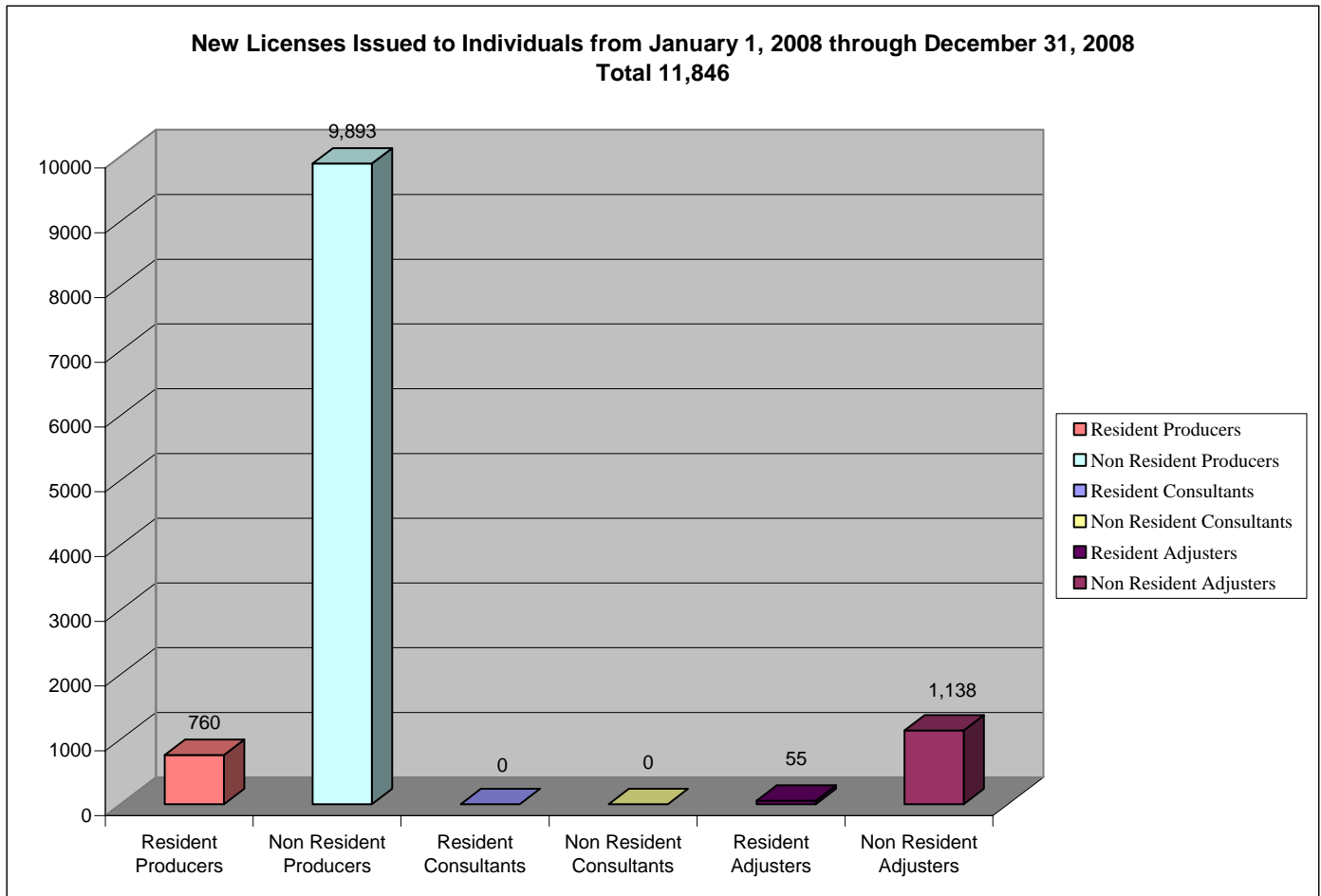
The Producer Licensing work unit is responsible for the review and approval of applications to license individual insurance producers (agents), consultants, adjusters and business entities, and to register structured settlement transferees. Processing includes a determination if eligibility requirements have been met and verification that no statutory preclusions exist. The unit's responsibilities also include the approval of continuing education courses submitted by education providers and monitoring completion of the education requirement of thousands of insurance professionals. Maine requires each resident producer and resident consultant to complete 24 hours of continuing education every two years in order to maintain a license. Nonresidents must meet continuing education requirements in their resident state.

Electronic processing of producer appointments, appointment terminations, and non-resident license applications, as well as participation in the national producer database has made the licensing process more efficient, timely, and uniform. Another recent improvement includes an electronic address change feature that allows licensees to update their information. In the first six months of implementation, the ability to use the electronic address change feature reduced paper transactions by approximately 56 percent.

Producer Licensing Statistics



(Prior Years Totals: 2007 – 66,951 2006 – 59,631 2005 - 52,460 2004 - 45,564)



(Prior Years Totals: 2007 – 12,225 2006 – 11,709 2005 - 11,709 2004 - 8,338)

Support Unit

The Support work unit provides administrative support for all functions within the Bureau of Insurance. The administrative work includes legislation tracking, records management as well as invoice tracking and processing.

The Consumer Health Care Division

The Consumer Health Care Division (CHCD) staff are responsible for assisting consumers, investigating complaints, and reviewing products (called “policy forms”) to ensure compliance with Maine law. Staff provides information on life, disability, and health insurance, helps consumers to understand their rights under Maine’s laws, and investigates and resolves problems reported by consumers. The CHCD staff reviews life, disability, and health insurance policy forms, ensuring compliance with Maine law.

Staff participated in several outreach programs during 2008 to help raise awareness and to let consumers know about the help available from the Bureau of Insurance. These activities have also enabled consumers to speak to staff directly in person about questions and problems relating to their insurance coverage. In 2008, for example, CHCD staff participated in senior focused presentations and operated a booth at several events around the State.

The CHCD has been proactive in implementing the National Association of Insurance Commissioners (NAIC) speed to market initiative. Electronic filings were submitted via the System for Electronic Rate and

Form Filings (SERFF) which is a nationwide system developed by the NAIC with input from states and the insurance industry.

The CHCD focuses much of its efforts on analyzing the underlying issues that often give rise to complaints. Identification of deficiencies in insurer processes provides an opportunity for the Bureau to work with health insurance companies to prevent reoccurrence of identified problems. To facilitate this process, the Consumer Health Care Division staff meets quarterly with a number of insurance carriers to discuss evolving issues before they become significant problems. The CHCD investigates complex complaints involving adverse determinations of medical necessity and speaks regularly with health care providers and the insurance carrier’s utilization review staff.

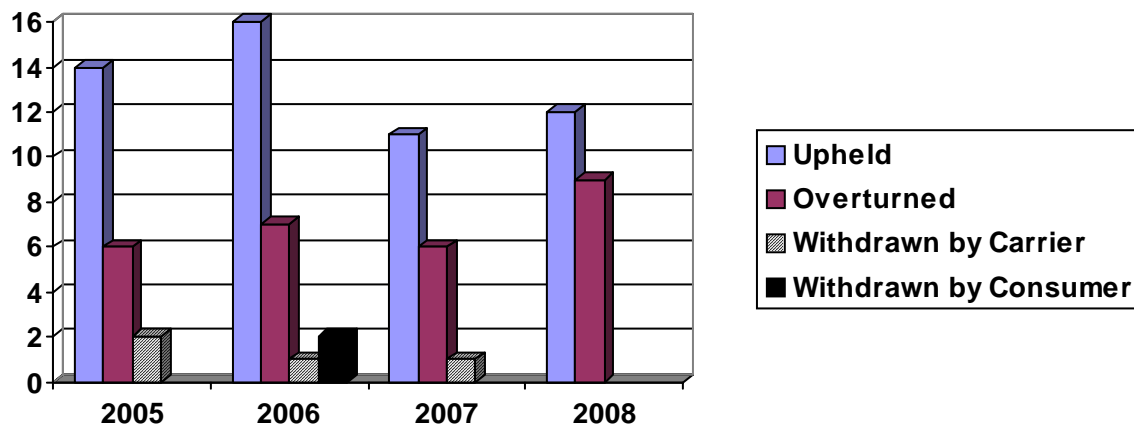
The Consumer Health Care Division also processes external reviews. This third level of review is different from the first two levels of appeal through the insurance carrier. To qualify for an external review, the denial of benefits must be related to a health issue and the consumer’s insurance plan must be a fully insured plan and not a plan that is self-insured (which would fall under federal guidelines). The third level of review is an independent review arranged by the Bureau of Insurance and conducted by contracted independent review organizations.

In 2008, 21 external reviews were completed. Of those, 12 upheld the carrier’s decision and 9 ruled either completely or partially in favor of the consumer.

Figure 2 illustrates the number of external reviews that overturned denial of benefits, upheld denial of benefits or were withdrawn by either the carrier or consumer prior to the review for the years 2003 through 2008.

Figure 2.

External Review Outcomes by Year



| Consumer Health Care Division - Totals* | 2008 | 2007 | 2006 |
|---|-------------|-------------|-----------|
| Consumer complaints received | 593 | 519 | 524 |
| Consumer inquiries/phone calls received | 5,670 | 4,747 | 6,888 |
| Restitution to consumers | \$1,435,248 | \$1,162,402 | \$977,681 |
| Rate and form filings | 2,348 | 2,729 | 2,776 |

*See graphs in Appendix B for a comparison of the last four years.

Life & Health Actuarial

The Life & Health Actuarial work unit provides actuarial and technical services to Bureau staff involving life and health insurance. Among its responsibilities, the unit:

- Reviews and takes appropriate action on rate filings for regulated lines of insurance, primarily individual health, small group medical, credit life and health, group and individual Medicare supplement, and long-term care;
- Provides reserve analysis of life and health insurance companies as required by Maine law;
- Provides technical assistance to insureds, consumers, other state agencies, and others on insurance matters;
- Prepares annual reports on mandated benefits claims experience*;
- Prepares quarterly “market snapshots” for the small group and individual health insurance markets*;
- Maintains a database of required reports on small group and individual health insurance;
- Maintains a database of claims paid by third-party administrators and by insurers administering employers’ self-insured health plans (not subject to the state’s insurance law jurisdiction);
- Compiles supplemental annual reports from health insurers (Rule 945)*;
- Studies proposed mandated benefit legislation as requested by the Legislature to determine the social impact, the financial impact, and the medical efficacy of the proposed mandate; and
- Estimates the impact on health insurance premiums of proposed expansions of health care services requiring a certificate of need (“CON”) from the Maine Department of Health and Human Services.

*These items are available on the Bureau’s web site at www.maine.gov/pfr/insurance.

Property & Casualty and Workers Compensation

The Property & Casualty Division reviews and approves rates, rating rules, and policy forms that property and casualty insurance companies and advisory organizations file for products they intend to offer in Maine. The Division also investigates complaints for all lines of property and casualty insurance. This includes conducting administrative hearings when consumers contest cancellation of their automobile or homeowner’s policies or cancellation of business insurance policies.

| Property & Casualty Totals * | 2008 | 2007 | 2006 |
|---|-------------|-------------|-------------|
| Consumer complaints received | 494 | 487 | 424 |
| Consumer complaints closed | 483 | 505 | 422 |
| Consumer inquiries/phone calls received | 5,649 | 6,332 | 6,415 |
| Amount of restitution to consumers | \$1,147,602 | \$400,458 | \$475,532 |
| Rate and form filings | 3,832 | 3,181 | 3,090 |

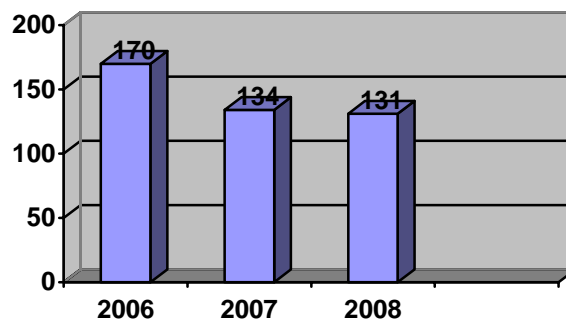
*See graphs in Appendix B for a comparison of the last four years.

This unit attended an on-site training session provided by the National Flood Insurance Program (NFIP) and MEMA to enhance its knowledge of flood policies and the program requirements. Subsequently, members of this unit assisted FEMA at its temporary field office in Madawaska to help consumers affected by the flooding in Aroostook County. Property/Casualty staff members are also instrumental in coordinating insurer’s claim data from disaster areas for local, state and federal officials to improve the organization of emergency resources.

All staff members provide assistance on the telephone to consumers with questions, and research the issues identified in written complaints for compliance with statutes. Developed issues are turned over to the Bureau's legal staff for enforcement action. Restitution for consumers resulting from filed complaints in this unit exceeded over \$1.1M in 2008. Outreach initiatives included booths at the Potato Blossom Festival, the Common Ground Fair, and the Maine Association of Agricultural Fairs annual convention. In addition, this unit produced several new publications to provide tips and information to consumers including how to file claims, how to save money on premiums, and different types of insurance coverage options available.

Hearings: When an insurance company issues a notice of cancellation or nonrenewal of a homeowner or auto policy, the company is required to advise the insured of the right to request a hearing contesting the action. The hearing provides a forum to dispute the reason(s), and requires the Bureau to rule whether the cancellation or nonrenewal was done in accordance with Maine law.

Number of Hearings Scheduled



| Hearing Results | 2008 | 2007 | 2006 |
|----------------------------|------|------|------|
| Number of Decisions Issued | 55 | 57 | 60 |
| Findings for the Consumer | 38 | 31 | 36 |

The Workers' Compensation work unit is a sub-unit within the Property & Casualty unit. Workers' Compensation staff members are responsible for processing all rate, rule, and form filings presented to the Bureau involving workers compensation insurance, reinsurance for self-insurers, and occupational disability policies. In addition to these filings, the work unit assists the actuarial staff with workers' compensation loss cost filings.

The unit responds to general inquiries regarding workers' compensation premiums and policies, and handles complaints regarding workers' compensation insurance rates, rules and policy cancellations. Complaints regarding specific workers' compensation claims are under the jurisdiction of the Workers' Compensation Board. If the Workers' Compensation Board finds a pattern of abuse, however, it can refer the matter to the Bureau of Insurance.

Property & Casualty Actuarial

The Property & Casualty Actuarial work unit is a sub-unit within the Property & Casualty unit and provides actuarial and technical services. Among its responsibilities, the work unit:

- Reviews rate and rating rule filings;

- Reviews and analyzes loss cost filings by industry advisory organizations that gather experience and file expected loss figures that are used by insurers in establishing rates and rating rules;
- Provides technical assistance to insureds, consumers, state agencies, and others on insurance-related matters;
- Reviews funding and reserves of workers' compensation self-insurance trusts;
- Provides reserve analysis of property/casualty insurance companies; and
- Provides technical assistance to the Superintendent in all aspects of property/casualty and workers' compensation matters.

Market Conduct and Market Analysis

One of the goals of the NAIC Modernization Plan is the integration of market conduct, market analysis, and interstate collaboration to form a cohesive, uniform oversight program for the states to use in regulating their markets. The Bureau uses its Market Conduct work unit and its Market Analysis team to accomplish this goal.

The Market Conduct work unit is responsible for carrying out market-related examinations for all licensees. This program includes both in-house exams and on-site examination of licensees. The examination process typically focuses on the following areas: (1) company operations/management; (2) complaint handling; (3) marketing and sales; (4) producer licensing; (5) policyholder service; (6) underwriting; and (7) claims. While the unit does not handle individual complaints, it does use complaint data and information to analyze licensee trends and business practices or patterns. This analysis is often a key factor in selection for the on-site examination process and is completed by utilizing the NAIC's market analysis techniques.

The Market Analysis team consists of four examiners from the Financial Analysis Division who are responsible for performing ongoing market analysis of companies that operate in Maine. The market analysis process is designed to provide tools for each state to review its entire market, identify companies operating in the market that may be potentially harming consumers, and assist in defining the scope of any regulatory action that may be used to address the compliance problem. Once an issue is identified, the examiner will proceed with the continuum of regulatory actions using the most efficient method to identify the cause and extent of the problem. By using the market analysis approach described, states are more efficient and uniform in their approach to regulation. Market Conduct examination reports can be found on the Bureau's website at www.maine.gov/pfr/insurance/reports.htm.

Recent examinations by the work unit:

| Company | Type of Examination | Report Issued |
|--|----------------------------|---------------|
| Arch Insurance Company | Targeted, Limited in Scope | 2/25/08 |
| Crawford & Company | Targeted, Limited in Scope | 12/19/08 |
| Maine Employers Mutual Insurance Company | Targeted, Limited in Scope | 12/19/08 |

Current examinations in process:

| Company | Type of Examination |
|--|----------------------------|
| AIG | Targeted, Limited in Scope |
| CNA Group | Targeted, Limited in Scope |
| Harleysville Worcester Insurance Company | Targeted, Limited in Scope |
| National Grange Insurance Company | Targeted, Limited in Scope |
| Claims Management, Inc. (Wal-Mart) | Targeted, Limited in Scope |
| Gallagher Bassett Services, Inc. | Targeted, Limited in Scope |

Bureau Publications

To help educate the public on insurance matters that can affect their daily lives, the Bureau publishes, distributes, and posts a number of consumer brochures.

The following brochures are available from the Bureau. Most brochures, with the exception of the federal guide, are available online at the Bureau's web site (www.maine.gov/pfr/insurance):

Automobile Insurance Guide (*premium comparison*)
Auto Insurance, Ten Things You Should Know About Buying
Complaint Ratio Brochures for **Auto**, **Homeowners**, and **Health** Insurance
Consumer Guide to Cancellation/Nonrenewal of Personal **Auto & Property** Insurance
Consumer Guide to **Homeowners'** Insurance (*premium comparison*)
Consumer Guide to **Day Care** Liability
Consumer's Guide to Understanding How Insurers Use **Credit Information** for Personal **Auto** and **Homeowners** Insurance
Consumer Guide to **Youthful Drivers**
Consumer **Health** Care Division
Coping with the Aftermath of **Weather-Related Disasters**
Credit Information, Understanding How Insurers Use
From Homeowner to Renter
Guide to **Individual Health** Insurance (*premium comparison*)
Guide to Requesting an Independent **External Review** of **Health** Insurance
Home Insurance, Ten Things You Should Know About Purchasing
Homeowners Inventory Checklist
Insuring your **Business** – The Basics of **Property & Liability** Coverage
Insuring your **Farm** – The Basics of **Property & Liability** Coverage
Long Term Care Comparison Chart (*premium comparison*)
Making the **Claims** Process Easier-**Auto and Homeowners**
Maine **Driving Dynamics**
Medicare Supplement Comparison Chart (*premium comparison*)
Are you Eligible for or Do you Have **Medicare**? Be Wary of Aggressive Sales Agents
What Maine **Small Employers** Should Know About **Health** Insurance (*premium comparison*)
What Can I do if I Lose my **Group Health** Insurance?
Workers' Compensation Brochure (*premium information*)
Workers' Compensation, Opting Out

Bureau Website

In an effort to provide the public and our regulated entities with information in a convenient and accessible format, the Bureau maintains a web site at www.maine.gov/pfr/insurance.

A sample of the information on the website includes the following:

Consumer Tools – provides links to:

- Consumer information
- Brochures
- Health Insurance: Maine and Nationally (video)
- Consumer Inventory Checklist PSA (video)
- Filing a complaint
- Licensee search and status
- Glossary of terms
- Hearing Notices

Industry Tools – provides links to:

- Online Data Reporting System
- PPO Annual Registration
- Licensee search and status
- Company forms and information
- Producer and Business Entity forms and information
- Address change forms
- Fees
- Laws, rules, & decisions
- Bulletins
- Hearing notices
- Helpful links

Employer Tools – provides links to:

- Workers compensation insurance
- Health insurance information
- Electronic health claims
- Rural Medical Access Program

Featured – provides links to:

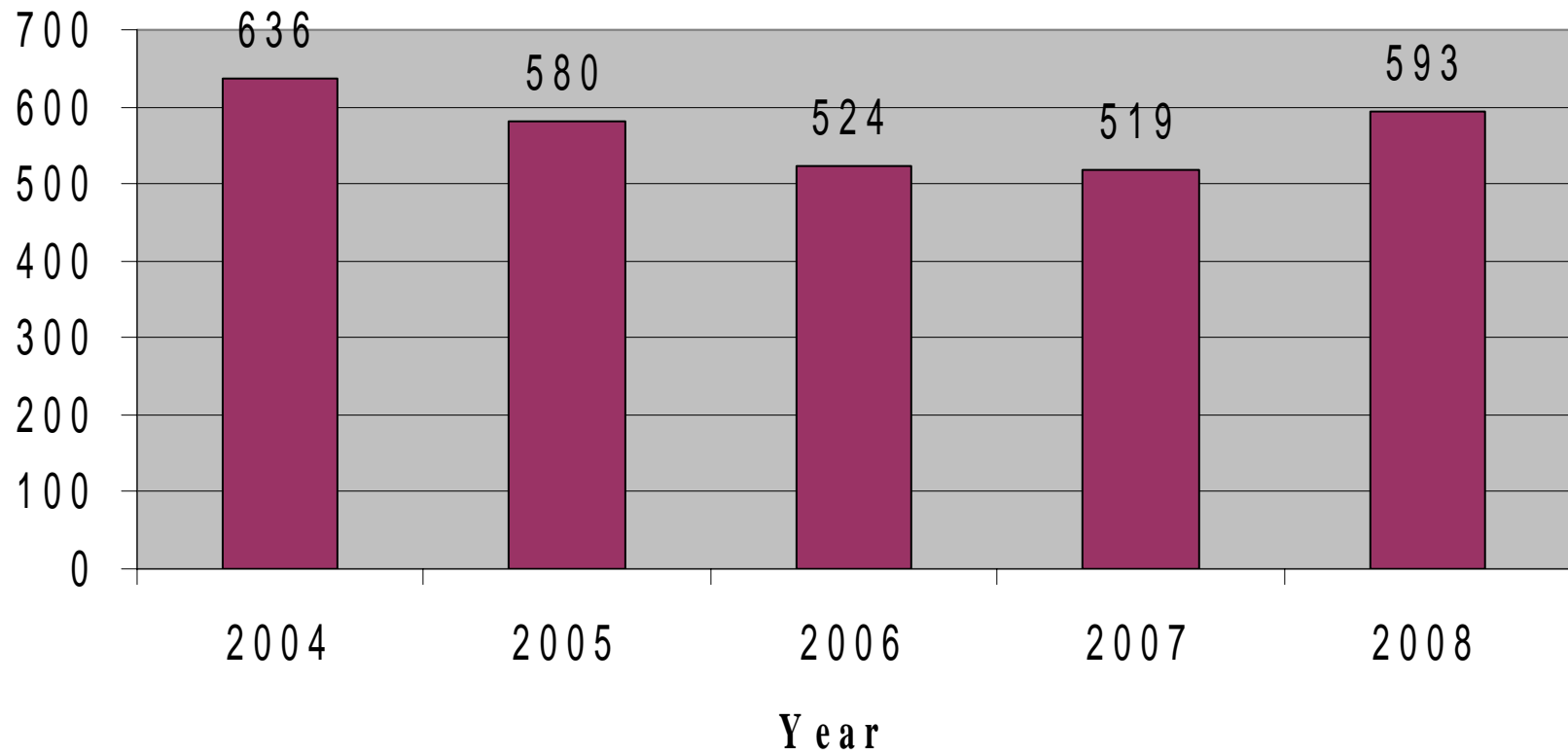
- Online Data Reporting System
- Special Data Call – Ice Storm
- ACA Assurance FAQs
- AIG Information
- Information for Insurance Producers Regarding The Order of United Commercial Travelers of America
- Dirigo Health Savings Offset Payment Filing
- Reform Options for Maine’s Individual Health Insurance Market
- Flood Information
- Maine Emergency Management Agency (MEMA)
- Bureau survey
- Legislative proposals

Frequently asked questions about data breach
FAQs: Electronic Health Claims Submission
UnumProvident Settlement
Dirigo Health
Maine RX Plus
Request for Proposal

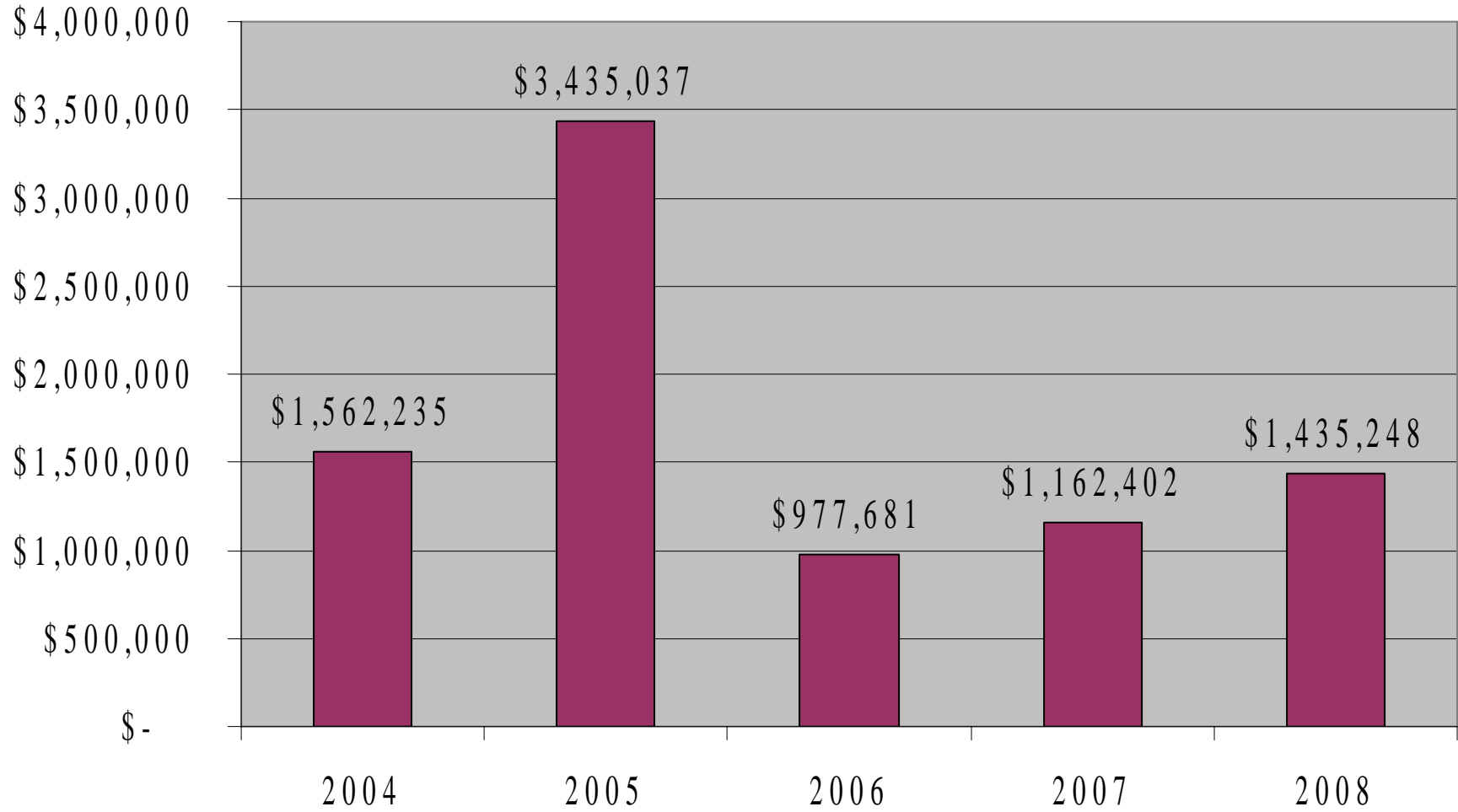
Appendix A

Appendix B

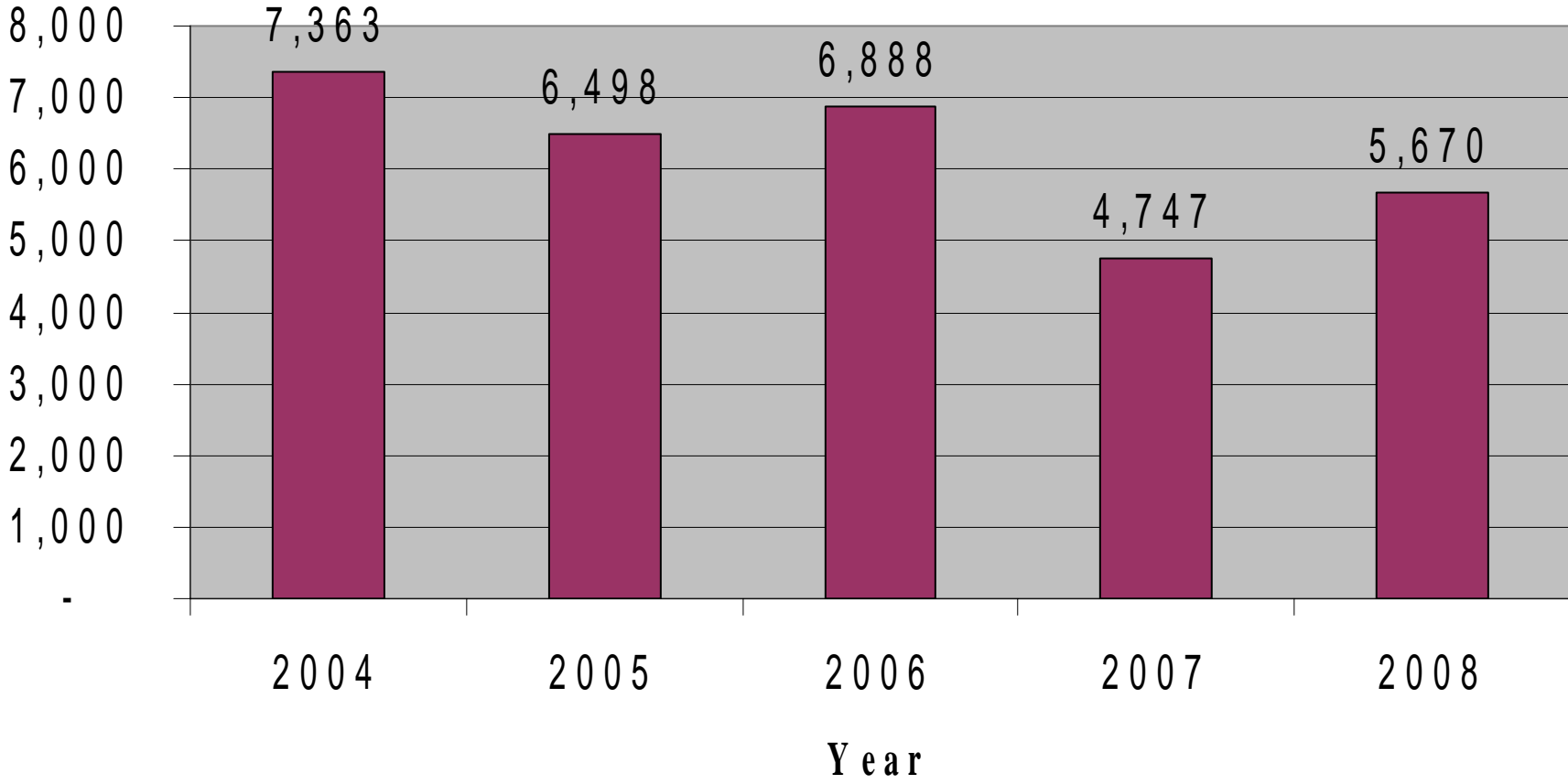
CHCD Consumer Complaints



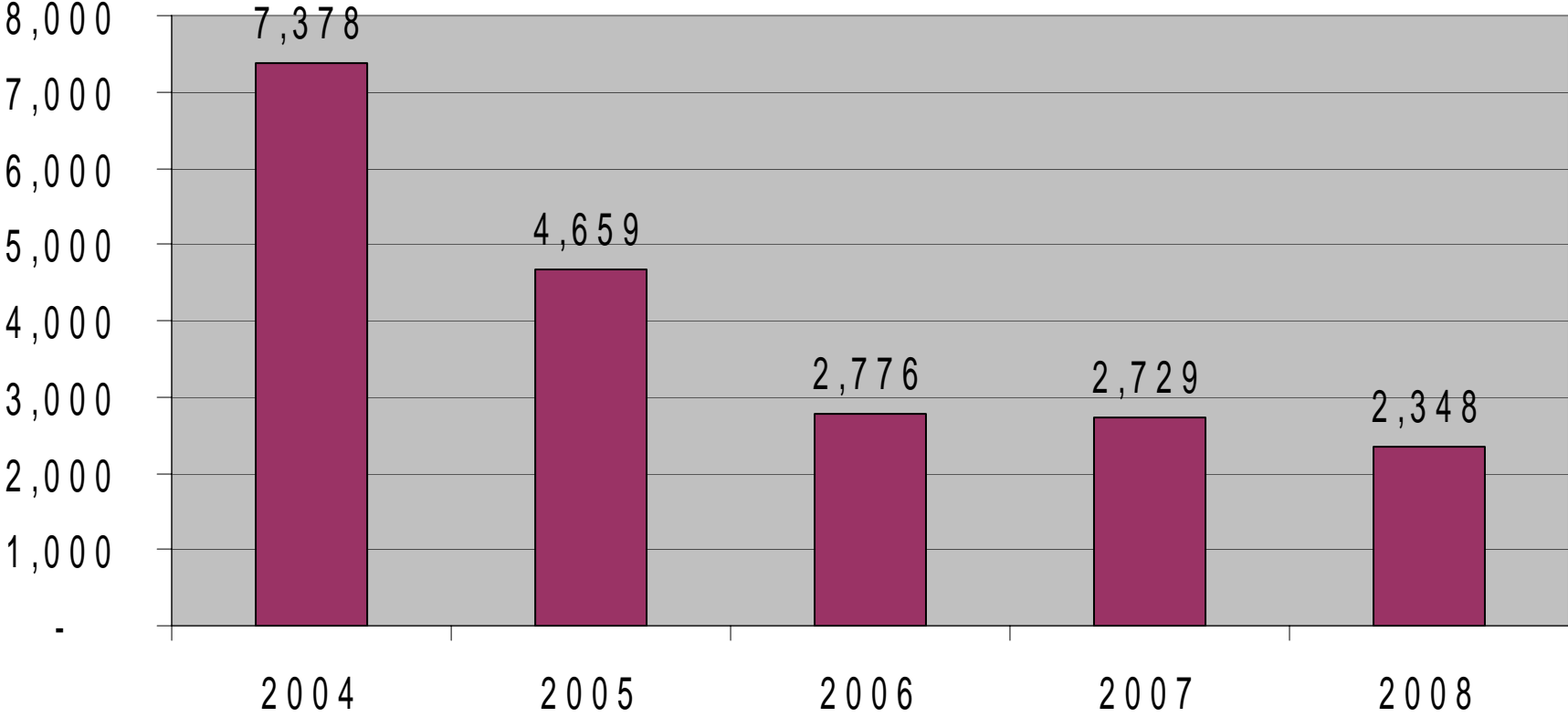
Consumer Health Care Division Restitution



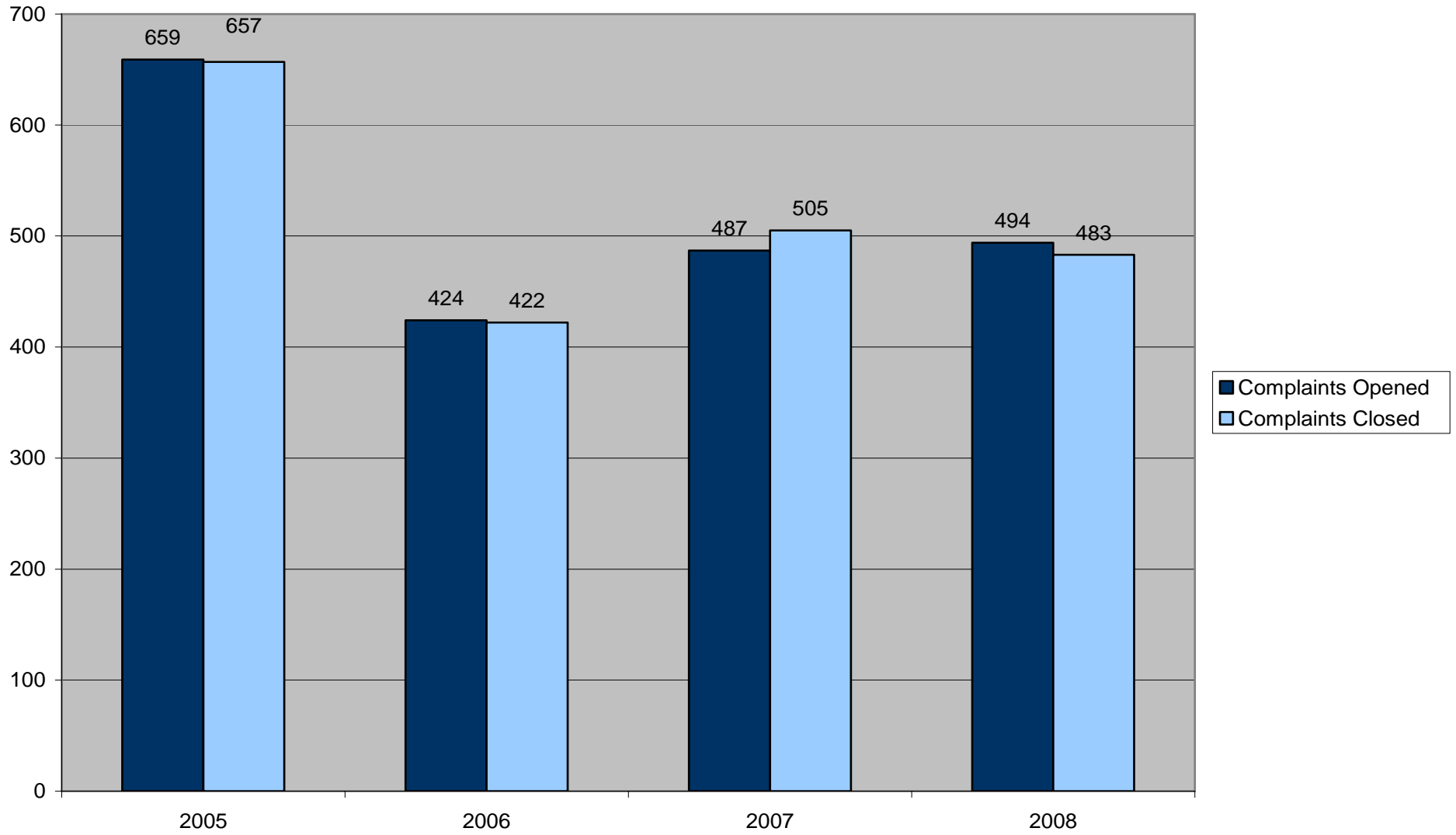
CHCD Consumer Inquiries



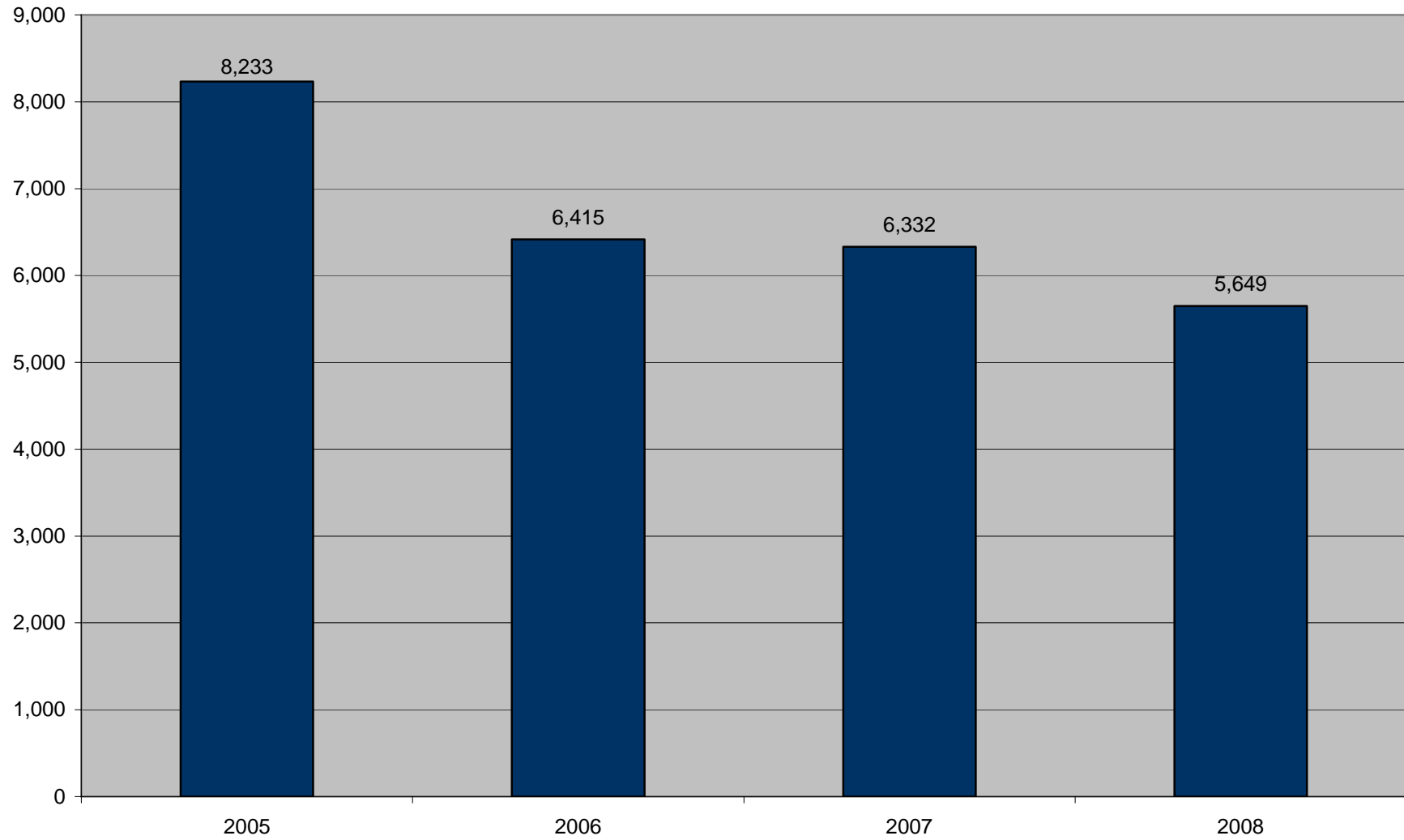
CHCD Approved Rate and Form Filings



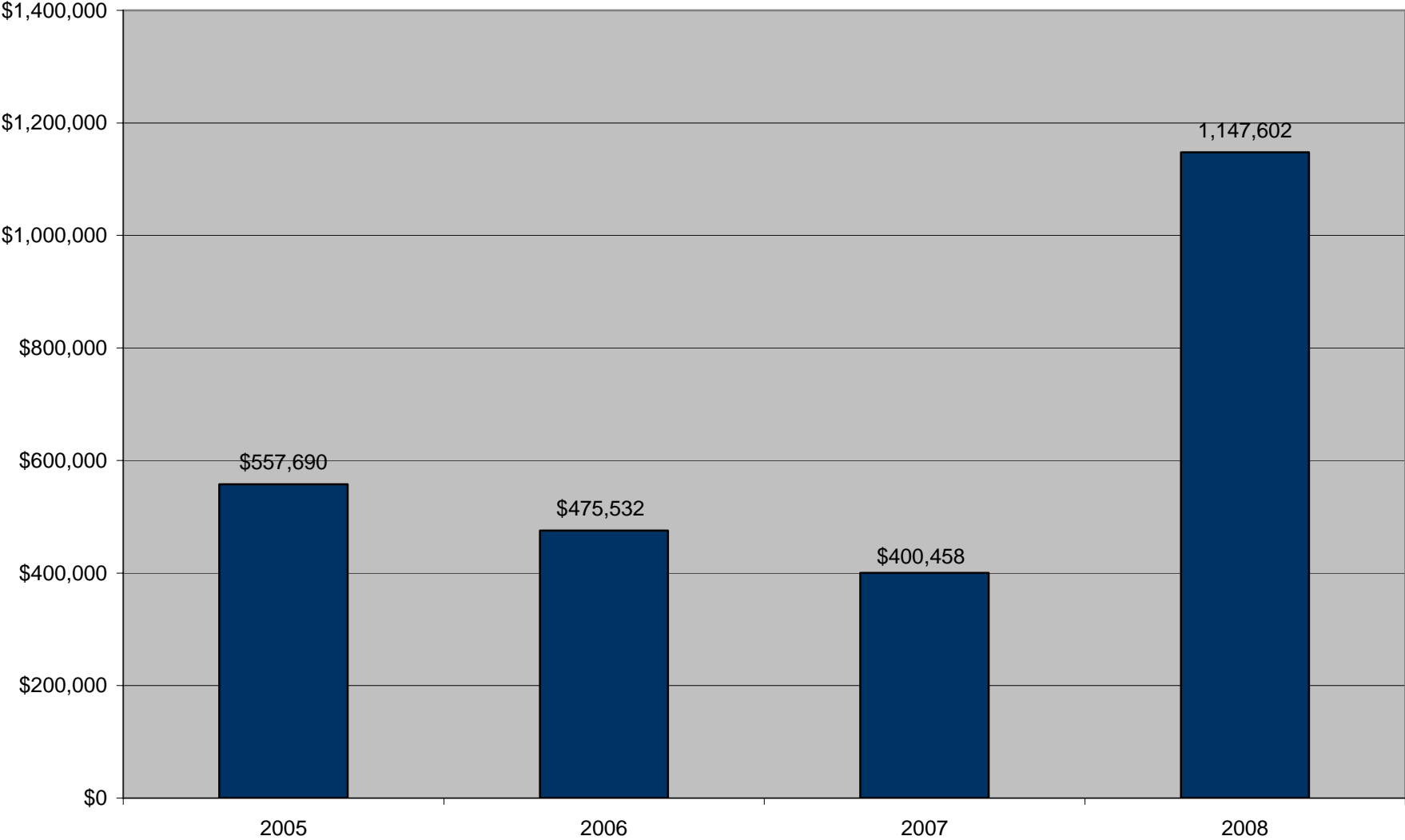
Property & Casualty Complaints 2005-2008



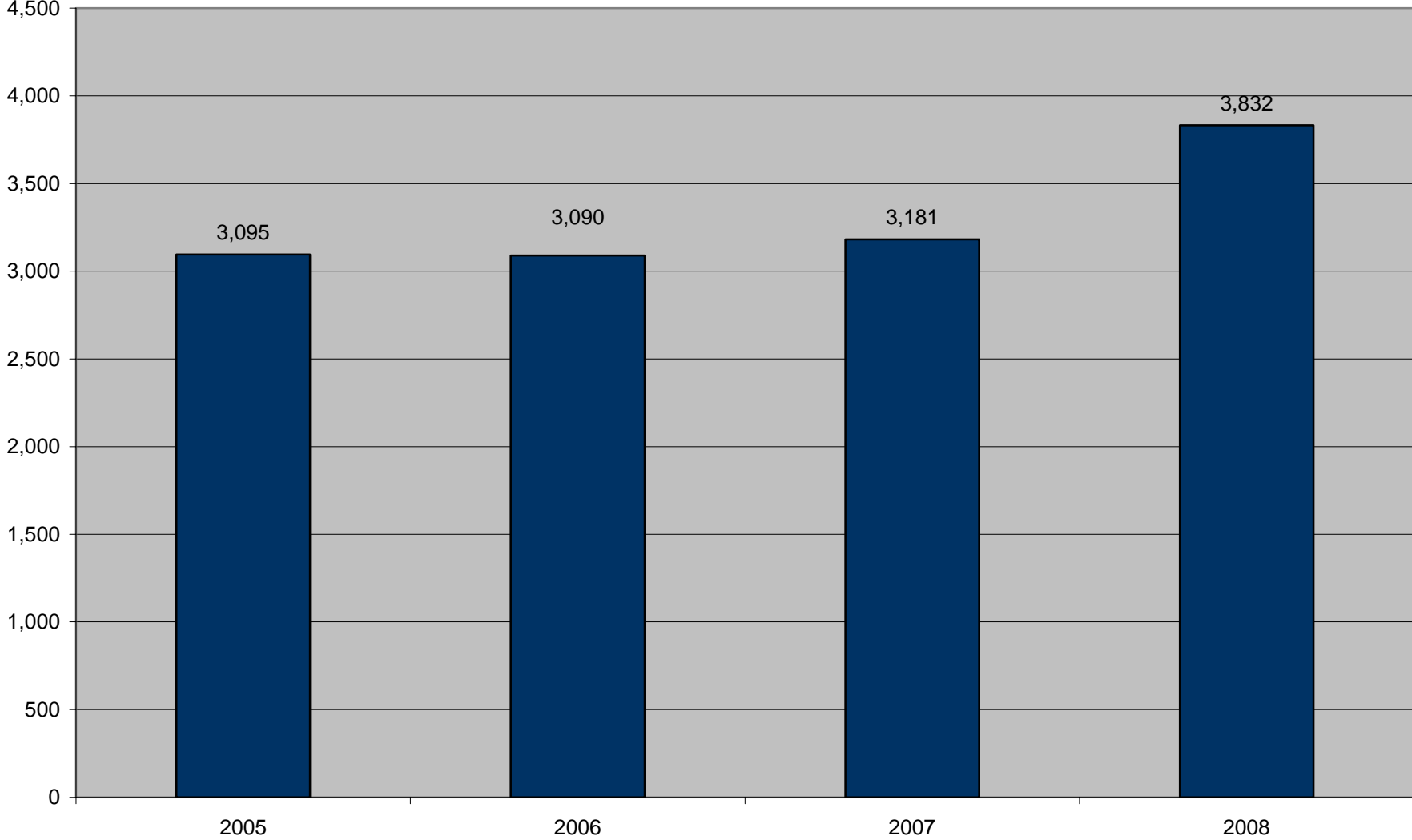
Property & Casualty Phone Calls and Inquiries 2005-2008



Property & Casualty Restitution to Consumers 2005- 2008



Property & Casualty Filings Received 2005-2008



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(Updated April 2009)

Published under appropriation # 01 402A0092